EMPRISE FINANCIAL CORPORATION

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June 20, 2005

Subject: Docket Number OP-1227
Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Dear Mr. Feldman

In general, we oppose the adoption of the proposed changes to the commercial classification system. We are an $840 million bank with $575 million in loans, and the current system continues to work well for us. We use a risk rating system containing eight grades that has translated well into the current regulatory framework. Over the past five years we have had very few differences between our risk ratings and those assigned by our primary federal regulator. Our external auditors have also found our current system to be effective in documenting the adequacy and accuracy of our Allowance for Loan and Lease Losses. While we see some merit in the proposed process, the overall benefit appears quite small in proportion to the time, effort, and resources (costs) needed for its implementation. We have addressed the specific questions below.

1 Yes, we could implement the approach. However, as stated above the resulting benefit does not appear sufficient to justify the cost of implementation.

2. N/A

3. Resources significant enough to interfere with 'run-the-business' processes would need to be reallocated to rewrite all of the policies and procedures, alter forms and reports, input data changes, train lending and support associates, and make appropriate system alterations to implement this change. A large unknown is whether our software can accommodate the recommended changes and to what extent we would have to involve our vendors and internal IT resources. Costs could increase significantly, depending on the answer to that question.

4. Switching to a two-tiered system from a single risk rating would require significant training for our lenders and credit analysts, and to a lesser degree our loan processors. This process would also require significant adjustments to our loan accounting system and policy for maintaining an adequate allowance for loan and lease losses.

5. Yes

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6. Not materially

7. Yes, but not materially different than what we do now.

It seems that the vast majority of potential benefit would be obtained by only the largest (over $5 billion) or publicly traded banks. If implemented, it seems highly logical to incorporate a threshold for exemption. There are far too many regulations and policies that are directed at or for the benefit of the large and publicly traded banks that end up creating significant costs for smaller community banks.

Sincerely,

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